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SUBJECT: NIGERIAN MANUFACTURERS SEEKING NEW ELECTRICITY SOURCES

¶1. (SBU) Summary. Embassy Abuja hosted Iftar dinners in Kaduna and Kano on October 2 and 3. Northern political figures were emphatic that they relied heavily on the U.S. Government to "safeguard" Nigeria's federal electoral process in the spring of 2007. The president of the Manufacturers Association of Nigeria (MAN) said industry's greatest problem was the shortage and unreliability of electric power. Domestic manufacturers have no confidence that the Government of Nigeria (GON) would address the power issue. As a result, companies are concentrating on establishing private sources of electricity. In late September, northeastern Nigeria suffered a five-day power outage that affected Plateau, Bauchi, Taraba, Borno, Gombe, Adamawa, and Yobe States. End Summary.

¶2. (U) Embassy Abuja hosted Iftar dinners, to mark the breaking of the Muslim Ramadan fast, in Kaduna and Kano on October 2 and 3, respectively. Embassy officers met with a wide range of northern political and business leaders at these functions. Political figures with whom economic officer spoke at the Iftar dinners, including two Kano State gubernatorial candidates, were emphatic that they relied heavily on the U.S. Government to "safeguard" Nigeria's federal electoral process in the spring of 2007. The Nigerian politicians did not discuss issues or even individual political figures. Instead, their focus was on the country's Muslim north as a separate political bloc whose democratic interests they insisted only the United States could guarantee.

¶3. (U) During a meeting on October 3, MAN President Bashir Borodo said the main problem his members faced was the shortage and unreliability of electric power. Borodo reported MAN members' other main concern was the GON's macroeconomic policies. In his opinion, a new administration would continue President Obasanjo's "stable" macroeconomic policies. He praised these as successful in capping inflation at an "acceptable" level. The MAN chief lamented how poor macroeconomic policies and high GON deficits for most of the period since 1993 had harmed Nigerian manufacturers. Borodo said it remained difficult for MAN members to obtain needed replacement machinery or spare parts because of previous or existing government policies.

Alternative Sources of Electric Power

¶4. (SBU) Regarding Nigeria's chronic electricity problems, Borodo said domestic manufacturers had no confidence that the GON would address successfully the power issue, so his constituents were concentrating on establishing private sources of electricity. The MAN chief noted that at many companies in Nigeria, employees spend the entire day at their workplace unable to do any work because of a lack of electricity. He commented on the "psychological cost" of

repeated power outages and said those occurring especially in the middle of domestic manufacturers' decreasing production runs were "killers."

15. (U) Borodo said recent laws streamlining the electricity sector would aid Nigerians in establishing private electricity companies. He noted that MAN was in the process of registering an energy subsidiary. Borodo commented that MAN members prefer working with existing electricity companies and buying a 1-2 percent stake in those enterprises, to gain some ownership control. He told us he was looking for a company to run an electricity network well, while MAN would supply the customers. Borodo said he was talking with the Jos-based, privately owned Nigerian Electricity Supply Company (NESCO) to supply electricity over a Jos-Kaduna-Kano axis. He asked whether the U.S. Department of Energy would be willing to assist the MAN in developing a plan for Nigerian companies to create private electricity networks. The MAN chief underscored that Nigerian manufacturers remain the country's largest user of electricity, and "we pay our bills."

Electricity-Sector Reform

16. (U) Before the National Electric Power Authority (NEPA) assumed, by law, a monopoly over electricity distribution in Nigeria, NESCO was known for its efficiency. On September 20, 2006, the Bureau of Public Enterprises announced it had incorporated a special-purpose entity, the Nigeria Electricity Management Agency, Ltd. (NEMA) to manage the legacy liabilities of the Power Holding Company of Nigeria (PHCN). NEMA acts as a trading licensee in the electricity sector and is involved in bulk purchases of electricity and in reselling these to power distribution companies. The PHCN replaced NEPA as part of a reform and privatization effort, and on July 1, the PHCN was "unbundled" into 18 independent entities.

ABUJA 00002691 002 OF 002

Major Power Outage

17. (SBU) A large portion of northeastern Nigeria recently suffered power outages lasting up to five days after a 25-year-old tower on the Kaduna-Jos transmission line collapsed. Repair work began September 19, the tower was re-erected on September 26, and it began carrying electricity on September 27. The tower's collapse caused a power outage, and at times a total blackout, in Plateau, Bauchi, Taraba, Borno, Gombe, and Adamawa States, as well as in parts of Yobe State. This outage followed a similar one five months ago in several eastern states after electricity towers there also collapsed. (Comment: MAN President Borodo was unaware of the large September power outage affecting seven states. This is an example of poor communications within industry concerning major events taking place within Nigeria and within various sectors. End Comment.)

No Relief Soon

18. (U) In late August 2006, the World Bank's Nigeria country director said Nigeria currently generated only 3,000 megawatts of electricity, compared to the national demand for at least 10,000 megawatts. In May 2006, Minister of Power and Steel Liyel Imoke said Nigeria would not have a sufficient supply of stable electricity until 2056 - even if the GON spent no less than \$10 billion annually on the power sector, to catch up with what he termed more than 20 years of neglect. According to press reporting, MAN said a "safe" estimate in 2005 from a survey of 200 consumers of electricity (50 percent residential, 40 percent industrial, and 10 percent commercial) was that Nigeria's System Average Interruption Duration Index, which measures the average total annual duration of power-supply interruptions that a consumer experiences, was no less than 1,000 hours per year, compared to 88 minutes in the United States. (Comment: These figures illustrate that Nigeria will not be able to solve its electricity difficulties cheaply or easily. Thus MAN's pursuit of private electricity generation is an encouraging development. End Comment.)

